

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

PUTNAM TOWNSHIP

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

PUTNAM TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Ronald F. Rau
Treasurer - G. Richard McCloskey
Clerk - Sally Guyon

TOWNSHIP BOARD OF TRUSTEES

Ronald F. Rau
G. Richard McCloskey
Sally Guyon
Kevin Dobis
Norman Klein
Jeffrey Buerman
Thomas Benedetti

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:

AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

October 3, 2007

Board of Trustees
Putnam Township
131 S. Howell Road
Pinckney, Michigan 48169

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of and for the year ended June 30, 2007, which collectively comprise Putnam Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Putnam Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 7 through 11 and 32 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Putnam Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2007

Within this section of Putnam Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of available resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole Under GASB 34 Accounting Principles

The Township's net assets at the end of the fiscal year were \$2,218,132. This is a \$291,883 increase over last year's net assets of \$1,926,249.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		Increase
	<u>6-30-07</u>	<u>6-30-06</u>	<u>(Decrease)</u>
Current and other assets	\$ 3,020,720	\$ 2,954,527	\$ 66,193
Capital assets	<u>882,146</u>	<u>797,715</u>	<u>84,431</u>
Total assets	<u>3,902,866</u>	<u>3,752,242</u>	<u>150,624</u>
Other liabilities	41,098	42,803	(1,705)
Long-term liabilities	<u>1,643,636</u>	<u>1,783,190</u>	<u>(139,554)</u>
Total liabilities	<u>1,684,734</u>	<u>1,825,993</u>	<u>(141,259)</u>
Net assets:			
Invested in capital assets, net of related debt	882,146	797,715	84,431
Restricted for debt service	448,547	454,666	(6,119)
Unrestricted	<u>887,439</u>	<u>673,868</u>	<u>213,571</u>
Total net assets	<u>\$ 2,218,132</u>	<u>\$ 1,926,249</u>	<u>\$ 291,883</u>

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>6-30-07</u>	<u>6-30-06</u>	
REVENUES			
Program revenues			
Charges for services	\$ 137,863	\$ 116,141	\$ 21,722
Capital grants and contributions	14,685	34,816	(20,131)
General revenues			
State shared revenues	360,450	368,532	(8,082)
Property taxes	829,917	785,554	44,363
Other	<u>246,738</u>	<u>239,119</u>	<u>7,619</u>
Total revenues	<u>1,589,653</u>	<u>1,544,162</u>	<u>45,491</u>
EXPENSES			
General government	536,669	582,908	(46,239)
Fire protection	457,611	388,117	69,494
Police protection	126,494	119,562	6,932
Parks and recreation	2,555	2,555	
Roads	93,432	107,184	(13,752)
Interest on long-term debt	<u>81,009</u>	<u>89,959</u>	<u>(8,950)</u>
Total expenses	<u>1,297,770</u>	<u>1,290,285</u>	<u>7,485</u>
CHANGES IN NET ASSETS	291,883	253,877	38,006
BEGINNING NET ASSETS	<u>1,926,249</u>	<u>1,672,372</u>	<u>253,877</u>
ENDING NET ASSETS	<u>\$ 2,218,132</u>	<u>\$ 1,926,249</u>	<u>\$ 291,883</u>

Financial Analysis of the Township's Funds

Putnam Township reported 4 major funds for the year ended June 30, 2007. These funds included:

- General Fund
- Fire Capital Outlay Fund
- Fire Millage Fund
- Patterson Lake Fund

The General Fund increased its fund balance \$102,721 during the year primarily due to the decreased expenditures for legal services.

The Fire Capital Outlay Fund, Fire Millage Fund, and Patterson Lake Fund had little activity except the repayment on debt and small capital outlay purchases. The Fire Capital Outlay Fund decreased its fund balance by \$16,548 due to a ladder truck purchase. The Fire Millage Fund increased its fund balance by \$64,072 for future year expenditures. The Patterson Lake Fund decreased its fund balance by \$6,119 to pay down sewer debt.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made an immaterial amendment during the year to bring it closer to economic reality. However, expenditures exceeded appropriations in the election activity.

Capital Asset and Debt Administration

The Township paid \$139,554 in principal and \$81,009 in interest to service the long-term debt of the Township. Total debt service equaled \$1,643,636 at June 30, 2007.

The Township purchased \$24,791 of fire fighting equipment and a \$150,000 Spartan ladder truck. Total depreciation expense for all governmental activities totaled \$90,360 for the year ended June 30, 2007.

Economic Conditions and Future Activities

As in other townships the economy has significantly slowed the building and growth activities in Putnam Township. This will effect the overall Township population growth.

The Township has begun the process of selling general obligation bonds to construct a new Township and Fire Hall on land purchased in the prior year. General fund monies will be used to repay the debt.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Putnam Township at 131 S. Howell Road, Pinckney, MI 48169.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2007

<u>ASSETS</u>		
		<u>Governmental Activities</u>
CURRENT ASSETS		
Cash and cash equivalents	\$	1,802,138
Receivables		
Special assessments		1,155,149
State shared revenues		58,379
Accounts - other		<u>5,054</u>
Total current assets		\$ 3,020,720
PROPERTY, PLANT AND EQUIPMENT		
Land		226,368
Building and improvements		249,550
Machinery and equipment		<u>1,313,089</u>
		1,789,007
Less: accumulated depreciation		<u>(906,861)</u>
Net property, plant and equipment		<u>882,146</u>
Total assets		<u>3,902,866</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable		41,098
Bonds payable		
Current		139,554
Non-current		<u>1,504,082</u>
Total liabilities		<u>1,684,734</u>
<u>NET ASSETS</u>		
NET ASSETS		
Invested in capital assets, net of related debt		882,146
Restricted for debt service		448,547
Unrestricted		<u>887,439</u>
Total net assets		\$ <u>2,218,132</u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Total
	Expenses	Charges for Services	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (536,669)	\$ 121,200	\$	\$ (415,469)
Fire protection	(457,611)	16,663	14,685	(426,263)
Police protection	(126,494)			(126,494)
Parks and recreation	(2,555)			(2,555)
Public works	(93,432)			(93,432)
Interest on long-term debt	(81,009)			(81,009)
Total governmental activities	<u>\$ (1,297,770)</u>	<u>\$ 137,863</u>	<u>\$ 14,685</u>	<u>(1,145,222)</u>
General Revenues:				
Property taxes				829,917
State shared revenues				360,450
Gravel/Cable royalties				59,074
Interest income				
Cash and equivalents				99,285
Special assessments				71,947
Other income				<u>16,432</u>
Total general revenues				<u>1,437,105</u>
Changes in net assets				291,883
Net assets, July 1, 2006				<u>1,926,249</u>
Net assets, June 30, 2007				<u>\$ 2,218,132</u>

The notes of the financial statements are an integral part of this statement.

FUND FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Fire Capital Outlay</u>	<u>Fire Millage</u>	<u>Patterson Lake Sewer</u>	<u>Other Non-major Fund Township Hall</u>	<u>Total</u>
<u>ASSETS</u>						
ASSETS						
Cash and cash equivalents	\$ 690,294	\$ 211,404	\$ 377,097	\$ 448,547	\$ 74,796	\$ 1,802,138
Receivables						
Special assessments				1,155,149		1,155,149
State shared revenues	58,379					58,379
Accounts - other	637	421	1,311			2,369
Due from other funds	<u>96,047</u>	<u>615</u>	<u>3,079</u>			<u>99,741</u>
Total assets	<u>\$ 845,357</u>	<u>\$ 212,440</u>	<u>\$ 381,487</u>	<u>\$ 1,603,696</u>	<u>\$ 74,796</u>	<u>\$ 3,117,776</u>
 <u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ 41,098	\$	\$	\$	\$	\$ 41,098
Due to other funds		1,517	95,539			97,056
Deferred revenues				1,155,149		1,155,149
Total liabilities	<u>41,098</u>	<u>1,517</u>	<u>95,539</u>	<u>1,155,149</u>		<u>1,293,303</u>
FUND BALANCES						
Unreserved	802,801					802,801
Designated	1,458	210,923	285,948		74,796	573,125
Reserved for debt service				448,547		448,547
Total fund balances	<u>804,259</u>	<u>210,923</u>	<u>285,948</u>	<u>448,547</u>	<u>74,796</u>	<u>1,824,473</u>
Total liabilities and fund balances	<u>\$ 845,357</u>	<u>\$ 212,440</u>	<u>\$ 381,487</u>	<u>\$ 1,603,696</u>	<u>\$ 74,796</u>	<u>\$ 3,117,776</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,824,473
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets	\$ 1,789,007	
Depreciation	<u>(906,861)</u>	
Capital assets, net of depreciation		882,146
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable		(1,643,636)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income for Patterson Lake Sewer Fund		<u>1,155,149</u>
Net assets of governmental activities		<u>\$ 2,218,132</u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Fire Capital Outlay	Fire Millage	Paterson Lake Sewer	Other Non-major Fund Township Hall	Total
REVENUES						
Taxes	\$ 290,351	\$ 152,441	\$ 387,125	\$	\$	\$ 829,917
Licenses and permits	7,772					7,772
Special assessments				196,294		196,294
State shared revenues	360,450					360,450
Donations		14,685				14,685
Cablevision fees	47,715					47,715
Gravel pit royalties	11,359					11,359
Charges for services	113,428		16,663			130,091
Interest	53,301	11,469	15,961	18,150	404	99,285
Miscellaneous	16,432					16,432
Total revenues	<u>900,808</u>	<u>178,595</u>	<u>419,749</u>	<u>214,444</u>	<u>404</u>	<u>1,714,000</u>
EXPENDITURES						
General government	530,447					530,447
Fire protection	334,538	195,143	21,138			550,819
Police protection	126,494					126,494
Public works	93,432					93,432
Debt service				220,563		220,563
Total expenditures	<u>1,084,911</u>	<u>195,143</u>	<u>21,138</u>	<u>220,563</u>		<u>1,521,755</u>
Excess of revenues over (under) expenditures	<u>(184,103)</u>	<u>(16,548)</u>	<u>398,611</u>	<u>(6,119)</u>	<u>404</u>	<u>192,245</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	334,539				47,715	382,254
Transfers (out)	(47,715)		(334,539)			(382,254)
Total other financing sources (uses)	<u>286,824</u>		<u>(334,539)</u>		<u>47,715</u>	
Net changes in fund balances	<u>102,721</u>	<u>(16,548)</u>	<u>64,072</u>	<u>(6,119)</u>	<u>48,119</u>	<u>192,245</u>
FUND BALANCE, JULY 1, 2006	<u>701,538</u>	<u>227,471</u>	<u>221,876</u>	<u>454,666</u>	<u>26,677</u>	<u>1,632,228</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 804,259</u>	<u>\$ 210,923</u>	<u>\$ 285,948</u>	<u>\$ 448,547</u>	<u>\$ 74,796</u>	<u>\$ 1,824,473</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 192,245
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:	
Capital outlay	\$ 174,791
Depreciation expense	<u>(90,360)</u>
Net	84,431
Repayment of bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of:	
Bonds payable	139,554
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities	
Principle collected on assessments	<u>(124,347)</u>
Change in net assets of governmental activities	<u>\$ 291,883</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 17,477	\$ 22,982	\$ 40,459
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 17,477	\$ 20,297	\$ 37,774
Due to other funds		2,685	2,685
Total liabilities	\$ 17,477	\$ 22,982	\$ 40,459

The notes to the financial statements are an integral part of this statement.

NOTES
TO
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Capital Outlay Fund accounts for the activity associated with the purchasing of capital assets for the fire department. This fund is supported by property taxes approved from a separately voted millage.

The Fire Millage Fund accounts for the activities related to the transfers made to the General Fund to finance the fire department operations. This fund is supported by property taxes approved by a separate voted millage.

Patterson Lake Fund accounts for the activities related to the special assessments collected and related debt service of the sewer project at Patterson Lake.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget is approved by activity, rather than by line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township Board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2006 levy was assessed at adjusted taxable value of \$323,389,930. The Township's general operating tax rate for the 2006 levy was .8915 mill and special fire millage was 1.6618. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. In May 2007, the county revolving fund paid the Township for the delinquent real taxes.

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

	<u>Transfers in</u>	<u>Transfer (out)</u>
General Fund	\$ 334,539	\$ 47,715
Township Hall Improvement	47,715	
Fire Millage	<u> </u>	<u>334,539</u>
Total	<u>\$ 382,254</u>	<u>\$ 382,254</u>

NOTE 2 - FINANCIAL REPORTING ENTITY

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The accompanying financial statements of Putnam Township as of June 30, 2007, include any and all boards, agencies, funds and account groups under the jurisdiction of the Putnam Township Board. As further discussed in Note 7, Putnam Township is one of four governmental units that has formed the Portage Base Lakes Area Water & Sewer Authority and has joined Multi-Lakes Sewer and Water Authority. There are separate audits completed for these authorities:

1. The Pinckney Community Library was determined not to be a component unit based on the criteria of GASB 39. A separate audit is conducted for this entity.
2. The Downtown Development Authority is not part of the financial statements, but is a part of the Village of Pinckney.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>BALANCE JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2007</u>
Land	\$ 226,368	\$	\$	\$ 226,368
Buildings and improvements	249,550			249,550
Machinery and equipment	<u>1,138,298</u>	<u>174,791</u>	<u> </u>	<u>1,313,089</u>
Total capital assets	1,614,216	174,791		1,789,007
Accumulated depreciation	<u>(816,501)</u>	<u>(90,360)</u>	<u> </u>	<u>(906,861)</u>
Governmental activities capital asset, net	<u>\$ 797,715</u>	<u>\$ 84,431</u>	<u>\$</u>	<u>\$ 882,146</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - CAPITAL ASSETS - (continued)

Depreciation expense is being recorded in the government-wide Statement of Activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

Fire protection	\$ 81,583
General government	6,222
Parks and recreation	<u>2,555</u>
	<u>\$ 90,360</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 95,539	Fire Millage Fund	\$ 95,539
General Fund	508	Current Tax Fund	508
Fire Millage Fund	1,517	Fire Capital Outlay	1,517
Fire Millage Fund	1,562	Current Tax Fund	1,562
Fire Capital Outlay Fund	<u>615</u>	Current Tax Fund	<u>615</u>
Total	<u>\$ 99,741</u>	Total	<u>\$ 99,741</u>

These are short term in nature.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township maintains a \$100 imprest petty cash account.

The Township has an investment policy and their deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Activities</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	<u>1,502,038</u>	<u>40,459</u>	<u>1,542,497</u>	<u>1,550,314</u>
Total deposits	<u>\$ 1,802,038</u>	<u>\$ 40,459</u>	<u>\$ 1,842,497</u>	<u>\$ 1,850,314</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - LONG-TERM OBLIGATIONS

DEBT RELATED TO MULTI-LAKES AREA SEWER AUTHORITY

Putnam Township residents on Patterson Lake also connected to the sewer system maintained by the Multi-Lakes Authority during the year. Putnam Township is now also a member of the Multi-Lakes Authority.

Putnam Township created a special assessment district for purposes of constructing the sewer distribution lines to serve the residents on Patterson Lake. Lyndon and Unadilla Townships also created special assessment districts to construct sewer distribution lines to their residents.

Bonds were sold to finance the construction through the Washtenaw County Department of Public Works. The three Townships will repay the bonds (debt) through their special assessment districts. The three Townships share the debt obligation based on the proportion of REU's (residential equivalent units) it serves which are as follows:

Putnam Township	31.012
Lyndon Township	39.601
Unadilla Township	<u>29.387</u>
Total	<u>100.000</u>

The total bond proceeds were \$7,850,000 of which Putnam Township is responsible for \$2,434,442.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a summary of the Township's long-term debt obligations:

Loan payable to Washtenaw County for the Multi-Lakes Sanitary Sewer System Phase II Bonds, Series 2002; payable in annual principle payments in the range of \$93,036 to \$139,554, plus interest of 3% to 5% paid semi-annually, maturity date is May 1, 2020.

A summary of the Township's long-term obligations as of June 30, 2007, and transactions during the year then ended are as follows:

	Balance at <u>7/1/06</u>	<u>Additions</u>	Principal Payments	Balance at <u>6/30/07</u>
Washtenaw County Sewage - Disposal System - Bonds Multi-Lakes Phase II, Series 2002	\$ 1,783,190	\$ _____	\$ 139,554	\$ 1,643,636

The following is a schedule of future principal and interest payments to service the long-term obligations of the Township:

	<u>BONDS PAYABLE</u>	
	<u>Principal</u>	<u>Interest</u>
2007 - 2008	\$ 139,554	\$ 72,477
2008 - 2009	139,554	66,633
2009 - 2010	124,048	60,954
2010 - 2011	124,048	55,527
2011 - 2012	124,048	50,100
2012 - 2017	620,240	165,914
2017 - 2020	<u>372,144</u>	<u>27,911</u>
Totals	<u>\$1,643,636</u>	<u>\$ 499,516</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 - CONTINGENCIES AND COMMITMENTS

The Township is involved in various legal actions arising in the normal course of operations. There is one significant lawsuit, Hendee v. Putnam Township which could have an impact on the Township. The trial has been completed with the Court awarding judgment in favor of the plaintiffs. The Township must allow the plaintiffs development of a mobile home park. The Township is appealing to the Michigan Court of Appeals.

The trial court also awarded the plaintiff approximately \$45,000 in expert witness fees which the Township is also appealing to the Michigan Court of Appeals.

The plaintiffs requested approximately \$130,000 from the Township for attorney's fees which the trial court disallowed.

Management of the Township believes it has a better than 50% chance of winning on appeals, therefore, no liability has been recorded as of June 30, 2007.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - GRANT ACTIVITIES

The Township had been a recipient of various federal grant funds. These funds received in the prior year may still be subject to federal grant audit requirements.

REQUIRED
SUPPLEMENTARY
INFORMATION

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ 290,351	\$
Licenses and permits			7,772	
State shared revenues			360,450	
Charges for services			113,428	
Miscellaneous			128,807	
Total revenues	850,300	825,600	900,808	75,208
EXPENDITURES				
Township board			132,859	
Supervisor			27,155	
Assessor			48,631	
Election			19,807	
Clerk			41,755	
Board of review			2,265	
Treasurer			58,915	
Cemetery			988	
Township hall			59,821	
Public safety-fire department			334,538	
Public safety-police			126,494	
Unallocated			47,006	
Highways, streets and bridges			92,444	
Zoning			44,172	
Planning commission			48,061	
Total expenditures	1,123,200	1,167,800	1,084,911	82,889
Excess of revenues over (under) expenditures	(272,900)	(342,200)	(184,103)	158,097
OTHER FINANCING SOURCES (USES)				
Transfer in	355,000	355,000	334,539	(20,461)
Transfer (out)			(47,715)	(47,715)
Total other financing sources (uses)	355,000	355,000	286,824	(68,176)
Net change in fund balance	82,100	12,800	102,721	89,921
FUND BALANCE, JULY 1, 2006	701,538	701,538	701,538	
FUND BALANCE, JUNE 30, 2007	\$ 783,638	\$ 714,338	\$ 804,259	\$ 89,921

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fire millage	\$	\$	\$ 152,441	\$
Donation			14,685	
Interest			11,469	
Total revenues	158,000	158,000	178,595	20,595
EXPENDITURES				
Fire protection			610	
Capital outlay			194,533	
Total expenditures	170,000	170,000	195,143	(25,143)
Net change in fund balance	(12,000)	(12,000)	(16,548)	(4,548)
FUND BALANCE, JULY 1, 2006	227,471	227,471	227,471	
FUND BALANCE, JUNE 30, 2007	\$ 215,471	\$ 215,471	\$ 210,923	\$ (4,548)

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fire millage	\$	\$	\$ 387,125	\$
Fire runs			16,663	
Interest			15,961	
Total revenues	412,663	412,663	419,749	7,086
EXPENDITURES				
Project costs	27,000	27,000	21,138	5,862
Excess of revenues over (under) expenditures	385,663	385,663	398,611	12,948
OTHER FINANCING (USES)				
Transfers (out)	(344,663)	(344,663)	(334,539)	10,124
Net change in fund balance	41,000	41,000	64,072	23,072
FUND BALANCE, JULY 1, 2006	221,876	221,876	221,876	
FUND BALANCE, JUNE 30, 2007	<u>\$ 262,876</u>	<u>\$ 262,876</u>	<u>\$ 285,948</u>	<u>\$ 23,072</u>

SUPPLEMENTARY
INFORMATION

COMBINING
STATEMENTS

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Township Hall Improvement Fund	Fire Capital Outlay	Fire Millage	Total
<u>ASSETS</u>				
ASSETS				
Cash	\$ 74,796	\$ 211,404	\$ 377,097	\$ 663,297
Due from other funds		615	3,079	3,694
Due from others	<u> </u>	<u>421</u>	<u>1,311</u>	<u>1,732</u>
Total assets	<u>\$ 74,796</u>	<u>\$ 212,440</u>	<u>\$ 381,487</u>	<u>\$ 668,723</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Due to other funds	\$	\$ 1,517	\$ 95,539	\$ 97,056
FUND BALANCE	<u>74,796</u>	<u>210,923</u>	<u>285,948</u>	<u>571,667</u>
Total liabilities and fund balance	<u>\$ 74,796</u>	<u>\$ 212,440</u>	<u>\$ 381,487</u>	<u>\$ 668,723</u>

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2007

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 17,477	\$ 22,982	\$ 40,459
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 17,477	\$ 20,297	\$ 37,774
Due to other funds		2,685	2,685
Total liabilities	\$ 17,477	\$ 22,982	\$ 40,459

PUTNAM TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Township Hall Improvement Fund	Fire Department Capital Outlay	Fire Millage	Total
REVENUES				
Fire millage	\$	\$ 152,441	\$ 387,125	\$ 539,566
Interest income	404	11,469	15,961	27,834
Donation		14,685		14,685
Fire runs			16,663	16,663
	<u>404</u>	<u>178,595</u>	<u>419,749</u>	<u>598,748</u>
Total revenues				
EXPENDITURES				
Fire protection		610	21,138	21,748
Capital outlay		194,533		194,533
		<u>195,143</u>	<u>21,138</u>	<u>216,281</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>404</u>	<u>(16,548)</u>	<u>398,611</u>	<u>382,467</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	47,715			47,715
Transfers (out)			(334,539)	(334,539)
	<u>47,715</u>	<u> </u>	<u>(334,539)</u>	<u>(286,824)</u>
Total other financing sources (uses)				
Net changes in fund balances	48,119	(16,548)	64,072	95,643
FUND BALANCE, JULY 1, 2006	<u>26,677</u>	<u>227,471</u>	<u>221,876</u>	<u>476,024</u>
FUND BALANCE JUNE 30, 2007	<u>\$ 74,796</u>	<u>\$ 210,923</u>	<u>\$ 285,948</u>	<u>\$ 571,667</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

PUTNAM TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash and cash equivalents	\$ 690,294
Accounts receivable - taxes	637
State shared revenue receivable	58,379
Due from other funds	<u>96,047</u>

Total assets		<u>\$ 845,357</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 41,098
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FUND BALANCE

Designated - parks	\$ 1,458
Undesignated	<u>802,801</u>

Total fund balance		<u>804,259</u>
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Total liabilities and fund balance		<u>\$ 845,357</u>
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PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 285,100	\$ 290,351	\$ 5,251
Licenses and permits	6,000	7,772	1,772
State shared revenues	350,000	360,450	10,450
Charges for services	103,500	113,428	9,928
Miscellaneous	<u>81,000</u>	<u>128,807</u>	<u>47,807</u>
Total revenues	<u>825,600</u>	<u>900,808</u>	<u>75,208</u>
EXPENDITURES			
Township board	138,900	132,859	6,041
Supervisor	27,250	27,155	95
Assessor	50,000	48,631	1,369
Election	19,700	19,807	(107)
Clerk	43,700	41,755	1,945
Board of review	2,300	2,265	35
Treasurer	60,700	58,915	1,785
Cemetery	1,600	988	612
Township hall	60,400	59,821	579
Public safety-fire department	355,000	334,538	20,462
Public safety-police	130,000	126,494	3,506
Unallocated	49,000	47,006	1,994
Highways, streets and bridges	115,000	92,444	22,556
Zoning	47,000	44,172	2,828
Planning commission	<u>67,250</u>	<u>48,061</u>	<u>19,189</u>
Total expenditures	<u>1,167,800</u>	<u>1,084,911</u>	<u>82,889</u>
Excess of revenues over (under) expenditures	<u>(342,200)</u>	<u>(184,103)</u>	<u>158,097</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	355,000	334,539	(20,461)
Transfers (out)	<u></u>	<u>(47,715)</u>	<u>(47,715)</u>
Total other financing sources (uses)	<u>355,000</u>	<u>286,824</u>	<u>(68,176)</u>
Net change in fund balance	12,800	102,721	89,921
FUND BALANCE, JULY 1, 2006	<u>701,538</u>	<u>701,538</u>	<u></u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 714,338</u>	<u>\$ 804,259</u>	<u>\$ 89,921</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 285,100	\$ 290,351	\$ 5,251
LICENSES AND PERMITS			
Land use permits		5,430	
Special use permits		1,300	
Trailer permits		400	
Dog licenses		642	
Total licenses and permits	6,000	7,772	1,772
STATE SHARED REVENUES	350,000	360,450	10,450
CHARGES FOR SERVICES			
Tax administration fees		89,359	
Civil infractions		49	
Tax collection fees		10,875	
Board of appeals		6,600	
Zoning fees		1,000	
Site plan fees		2,000	
Fire funds		299	
Land splits		50	
Private roads		500	
Elections		2,696	
Total charges for services	103,500	113,428	9,928
MISCELLANEOUS REVENUES			
Metro act		8,196	
Miscellaneous		7,913	
Printed material		323	
Interest		53,301	
Cablevision fees		47,715	
Gravel pit		11,359	
Total miscellaneous revenues	81,000	128,807	47,807
Total revenues	\$ 825,600	\$ 900,808	\$ 75,208

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Fees	\$	\$ 10,300	\$
Audit		7,500	
Legal		89,911	
Storm water		6,022	
Website/newsletter		1,255	
Publications		5,274	
Dues		6,340	
Data processing		811	
Tax chargebacks		596	
DDA		3,303	
Miscellaneous		1,547	
	<u>138,900</u>	<u>132,859</u>	<u>6,041</u>
Total township board			
SUPERVISOR			
Salary		25,500	
Supplies		709	
Clerical		383	
Conference		563	
	<u>27,250</u>	<u>27,155</u>	<u>95</u>
Total supervisor			
ASSESSOR			
Contract		43,800	
Data processing		2,568	
Postage		1,705	
Supplies		558	
	<u>50,000</u>	<u>48,631</u>	<u>1,369</u>
Total assessor			
ELECTION			
Fees		14,193	
Publications		579	
Supplies		1,288	
Small equipment		3,747	
	<u>19,700</u>	<u>19,807</u>	<u>(107)</u>
Total election			
CLERK			
Salary		25,500	
Clerical		14,558	
Postage		181	
Conference		971	
Data processing		280	
Supplies		135	
Miscellaneous		130	
	<u>43,700</u>	<u>41,755</u>	<u>1,945</u>
Total clerk			

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
BOARD OF REVIEW	<u>2,300</u>	<u>2,265</u>	<u>35</u>
TREASURER			
Salary		25,500	
Tax statement preparation		4,212	
Clerical		23,340	
Supplies		301	
Data processing		2,220	
Postage		3,258	
Miscellaneous		<u>84</u>	
Total treasurer	<u>60,700</u>	<u>58,915</u>	<u>1,785</u>
CEMETERY			
Maintenance	<u>1,600</u>	<u>988</u>	<u>612</u>
TOWNSHIP HALL			
Receptionist		11,110	
Ground maintenance		4,143	
Hall maintenance		2,542	
Copy maintenance		1,827	
Playground maintenance		212	
Cleaning services		3,100	
Supplies		1,964	
Internet		991	
Telephone		5,441	
Utilities		6,207	
Security system		749	
Insurance		17,704	
Postage		2,305	
Miscellaneous		917	
Capital outlay		<u>609</u>	
Total township hall	<u>60,400</u>	<u>59,821</u>	<u>579</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PUBLIC SAFETY - FIRE DEPARTMENT			
Fire person fees		199,838	
Payroll taxes		16,584	
Telephone		6,207	
Insurance		25,753	
Utilities		11,864	
EMS fees		2,430	
Radios		1,339	
Gas and oil		7,911	
Ground maintenance		2,265	
Dues and subscriptions		6,064	
Training		14,754	
Fire fighter gear		13,189	
Uniforms		2,400	
Equipment maintenance		11,305	
Building maintenance		875	
Operating supplies and parts		786	
Capital outlay		7,389	
Miscellaneous		<u>3,585</u>	
Total public safety - fire department	<u>355,000</u>	<u>334,538</u>	<u>20,462</u>
PUBLIC SAFETY - POLICE			
Contracted services	<u>130,000</u>	<u>126,494</u>	<u>3,506</u>
UNALLOCATED			
Sidewalk projects		8,551	
Small equipment		2,007	
Township - FICA, Medicare and unemployment		13,584	
Gazebo and town square maintenance		4,590	
Miscellaneous		222	
Senior citizens		<u>18,052</u>	
Total unallocated	<u>49,000</u>	<u>47,006</u>	<u>1,994</u>
HIGHWAYS, STREETS, BRIDGES			
Road maintenance	<u>115,000</u>	<u>92,444</u>	<u>22,556</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ZONING			
Training		350	
Fees		6,175	
Administrator fees		24,002	
Printing and publications		869	
Supplies		2,250	
Planning consultant		6,807	
Mileage		515	
Miscellaneous		<u>3,204</u>	
Total zoning	<u>47,000</u>	<u>44,172</u>	<u>2,828</u>
PLANNING COMMISSION			
Clerical		751	
Fees		10,385	
Planning consultant		33,788	
Printing and publications		372	
Supplies		1,830	
Miscellaneous		<u>935</u>	
Total planning commission	<u>67,250</u>	<u>48,061</u>	<u>19,189</u>
Total expenditures	<u>\$ 1,167,800</u>	<u>\$ 1,084,911</u>	<u>\$ 82,889</u>

TOWNSHIP
HALL
IMPROVEMENT
FUND

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 74,796

FUND BALANCE

FUND BALANCE

\$ 74,796

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest	\$ 100	\$ 404	\$ 304
EXPENDITURES			
Excess of revenues over (under) expenditures	<u>100</u>	<u>404</u>	<u>304</u>
OTHER FINANCING SOURCES			
Transfers in	<u>15,663</u>	<u>47,715</u>	<u>32,052</u>
Net change in fund balance	15,763	48,119	32,356
FUND BALANCE, JULY 1, 2006	<u>26,677</u>	<u>26,677</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 42,440</u>	<u>\$ 74,796</u>	<u>\$ 32,356</u>

FIRE DEPARTMENT
CAPITAL OUTLAY
FUND

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$ 211,404
Due from other funds	615
Accounts receivable - taxes	<u>421</u>

Total assets		<u>\$ 212,440</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$ 1,517
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FUND BALANCE

<u>210,923</u>

Total liabilities and fund balance		<u>\$ 212,440</u>
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PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fire millage	\$	\$ 152,441	\$
Donation		14,685	
Interest		<u>11,469</u>	
Total revenues	<u>158,000</u>	<u>178,595</u>	<u>20,595</u>
EXPENDITURES			
Capital outlay		194,533	
Tax chargebacks		<u>610</u>	
Total expenditures	<u>170,000</u>	<u>195,143</u>	<u>(25,143)</u>
Net change in fund balance	(12,000)	(16,548)	(4,548)
FUND BALANCE, JULY 1, 2006	<u>227,471</u>	<u>227,471</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 215,471</u>	<u>\$ 210,923</u>	<u>\$ (4,548)</u>

FIRE MILLAGE
FUND

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$ 377,097
Accounts receivable - taxes	1,311
Due from other funds	<u>3,079</u>

Total assets		<u>\$ 381,487</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$ 95,539
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FUND BALANCE

	<u>285,948</u>
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Total liabilities and fund balance		<u>\$ 381,487</u>
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PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fire millage	\$	\$ 387,125	\$
Fire runs		16,663	
Interest		<u>15,961</u>	
Total revenues	412,663	419,749	7,086
EXPENDITURES			
Project costs		19,135	
Tax chargebacks		<u>2,003</u>	
Total expenditures	<u>27,000</u>	<u>21,138</u>	<u>5,862</u>
Excess of revenues over (under) expenditures	385,663	398,611	12,948
OTHER FINANCING (USES)			
Transfers (out)	<u>(344,663)</u>	<u>(334,539)</u>	<u>10,124</u>
Net change in fund balance	41,000	64,072	23,072
FUND BALANCE, JULY 1, 2006	<u>221,876</u>	<u>221,876</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 262,876</u>	<u>\$ 285,948</u>	<u>\$ 23,072</u>

PATTERSON LAKE SEWER
DEBT SERVICE FUND

PUTNAM TOWNSHIP
PATTERSON LAKE SEWER
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS

Cash	\$ 448,547
Special assessment receivable - current	89,703
Deferred special assessments	<u>1,065,446</u>

Total assets		<u>\$ 1,603,696</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues	\$ 1,155,149
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FUND BALANCE

<u>448,547</u>

Total liabilities and fund balance	<u>\$ 1,603,696</u>
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PUTNAM TOWNSHIP
PATTERSON LAKE SEWER
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 124,348	\$
Special assessments - interest		71,946	
Interest income		<u>18,150</u>	
Total revenues	<u>207,500</u>	<u>214,444</u>	<u>6,944</u>
EXPENDITURES			
Bond - principal		139,554	
Bond - interest		80,938	
Miscellaneous		<u>71</u>	
Total expenditures	<u>217,731</u>	<u>220,563</u>	<u>(2,832)</u>
Net change in fund balance	(10,231)	(6,119)	4,112
FUND BALANCE, JULY 1, 2006	<u>454,666</u>	<u>454,666</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 444,435</u>	<u>\$ 448,547</u>	<u>\$ 4,112</u>

TRUST
AND
AGENCY
FUND

PUTNAM TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 17,477

LIABILITIES

LIABILITIES
Due to others

\$ 17,477

CURRENT
TAX
COLLECTION
FUND

PUTNAM TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
JUNE 30, 2007

ASSETS

ASSETS
Cash

\$ 22,982

LIABILITIES

LIABILITIES

Due to other funds
Due to others

\$ 2,685
20,297

Total liabilities

\$ 22,982

October 3, 2007

Board of Trustees
Putnam Township
131 S. Howell Road
Pinckney, Michigan 48189

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Putnam Township for the year ended June 30, 2007, we came across some items which we are bringing to your attention for discussion. Those items are as follows:

CASH DISBURSEMENTS

We found various issues regarding the policies/practices of cash disbursements:

- Payments were being made using vendor statements as the basis for the amount paid. These payments should always be made using an original approved invoice. A signature should be required on every invoice by a responsible individual to determine the validity of the invoice for payment.
- Reimbursements to employees often results in the Township paying for sales tax. The Township is exempt from sales tax, and should consider alternative practices to avoid paying these amounts. This may include adopting a credit card policy for Township purchases or provide stricter guidance on employee purchases.
- A payment for long distance phone service included Michigan tax. It does not appear the Township should be paying this tax. The Township should contact the phone company and make the proper inquiries as to whether it should be paying the tax as a municipality.
- The Township does not require two signatures on checks from funds other than the General Fund. The State of Michigan requires two signatures on all checks other than tax distribution activities.

UNEMPLOYMENT TAXES

When reviewing the wage detail report for unemployment taxes we noticed an employee's wages were not included on the report that should have been included. The quarterly wage detail reports should be reviewed each quarter to ensure compliance with the unemployment agencies.

We also noticed that the Township is not set up as a reimbursing employer for unemployment taxes with the State of Michigan. Since the Township is a municipality it can choose to be either a reimbursing or non-reimbursing employer. Under the reimbursing employer position, the Township would only pay towards unemployment when an employee is terminated or laid off, and qualifies for this benefit. Under the current scenario, as a non-reimbursing employer, the Township pays quarterly towards unemployment. The Township may wish to evaluate the cost/benefit of being a reimbursing employer. A board resolution should be approved to become a reimbursable employer.

DOWNTOWN DEVELOPMENT AUTHORITY

It appears the Township paid delinquent personal property taxes to the Downtown Development Authority prior to the receipt of the tax. Amounts should not be paid over to any third party fiduciary until the Township has collected the tax.

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Putnam Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency or material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following to be a material weakness of the Township:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.

This report is intended solely for the information and use of the Township Board and is not intended to be and should not be used by any other party.

We would like to thank the Township staff and management for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants